



Liquidation Analysis

May 19, 2017



Liquidation Assessment

- Property, plant and equipment
 - Equipment has limited value given average age, obsolescence, cost of removal and liability factors
 - Property and Plant are owned by the District with no value to the Estate
- Third party payors, particularly Medicare and Medicaid, often slow down claims payments subject to cost report liability adjudication
- Inventory has little or no liquidation value in the open market
- Prepaid expenses are assumed to amortize in the normal course of business
- *Liquidation of PVHC is not a viable option. Liquidation yields limited proceeds available to creditors*

Liquidation Waterfall

	Estimated Book Value at Liquidation	Low		High		Midpoint	
		Recovery %	Estimated Value	Recovery %	Estimated Value	Recovery %	Estimated Value
Cash and Cash Equivalents ⁽¹⁾	\$792,474	100.0%	\$792,474	100.0%	\$792,474	100.0%	\$792,474
Patient Accounts Receivable, net	2,138,103	25.0%	534,526	50.0%	1,069,051	37.5%	801,789
Other Receivables	551,327	0.0%	-	10.0%	55,133	5.0%	27,566
Inventories	768,775	5.0%	38,439	15.0%	115,316	10.0%	76,878
Prepaid Expenses ⁽²⁾	864,704	5.0%	43,235	15.0%	129,706	10.0%	86,470
Property, Plant and Equipment, net	1,889,672	10.0%	188,967	15.0%	283,451	12.5%	236,209
Net Proceeds Available⁽³⁾	\$7,005,055	22.8%	\$1,597,641	34.9%	\$2,445,131	28.9%	\$2,021,386

(1) The projected cash and cash equivalents balance at Notification (October 1, 2017) is \$2,740,606. Over the course of the 90-day shutdown period, this balance is projected to deplete by \$1,948,132 as a result of shutdown costs, net of collections from receivables. The final cash and cash equivalents balance at liquidation is estimated to be \$792,474.

(2) Excludes \$350K of funds that are not available.

(3) These are funds that are expected to be available to pay chapter 7 trustee fees, chapter 7 administrative expenses, accrued but unpaid chapter 11 administrative expenses (including accrued but unpaid payroll and related benefits and unpaid post-petition vendor payables), with the remaining proceeds, if any, being used pay claims of general unsecured creditors.

Note: See shutdown costs on following page.

Source: Management



Illustrative Shutdown Cost Analysis

Observations

- Assumes October 1, 2017 notification and a 90-day shutdown period
- ED closure notification required; EMS put on permanent diversion
- Hospital accepts no admissions; begins discharge planning of all inpatients
 - Most acute patients will be discharged within 7 days
- Notification to licensing and regulatory bodies (Joint Commission, DEA, DHHS, EPA, WY DOH, NRC, CMS, among others)
- *The Estate would incur significant costs to shutdown PVHC for liquidation – likely reducing proceeds available to creditors to negligible or zero amounts*

Illustrative Shutdown Timeline

	Post-Shutdown Notification			Total Shutdown
	October	November	December	Costs
<u>Deposits</u>				
A/R Collection from Post-Shutdown Ops.	\$371,373	\$133,171	\$28,086	\$532,631
A/R Collection from Pre-Shutdown Ops.	2,579,250	1,692,246	1,110,283	5,381,778
Subtotal	\$2,950,623	\$1,825,417	\$1,138,369	\$5,914,409
<u>Disbursements</u>				
Payroll & Taxes	\$2,110,749	\$1,293,917	\$671,277	\$4,075,942
EBMS	264,746	264,746	264,746	794,237
Subtotal	\$2,375,494	\$1,558,662	\$936,023	\$4,870,179
Document Retention Costs	-	-	150,000	150,000
Secured Lender Lien	1,200,000	-	-	1,200,000
Rent	75,940	75,940	75,940	227,820
Management Fee	51,576	51,576	51,576	154,729
Utilities	64,767	64,767	64,767	194,300
Dietary	39,518	14,171	2,989	56,678
HIM Contract Staff	43,886	19,454	4,103	67,443
North Plate Physical Therapy	86,958	31,182	6,577	124,717
Other ⁽¹⁾	569,422	204,189	43,065	816,675
Subtotal	\$2,132,068	\$461,279	\$399,015	\$2,992,362
Disbursements	\$4,507,562	\$2,019,941	\$1,335,038	\$7,862,541
Less: Deposits	(\$2,950,623)	(\$1,825,417)	(\$1,138,369)	(\$5,914,409)
Net Shutdown Cost	\$1,556,938	\$194,524	\$196,669	\$1,948,132

(1) Includes medical and surgical supplies, surgical implants, repairs & maintenance, lab test supplies, office supplies, reference lab fees, equipment maintenance contract fees, and minor equipment.

Source: Weekly Cash Forecast (Management)